

## SUMMARY OF GOVERNOR'S ITEM VETOES

**Governor's Action.** The Governor has signed, or item vetoed and signed, all of the appropriation bills. There were no vetoes that impacted General Fund appropriations for FY 2012 or FY 2013. Most of the Governor's item vetoes impact intent or statutory language. There were some vetoes to other fund appropriations. Some appropriation bills were signed by the Governor without item veto. These include:

- HF 148 – State Expenditure Requirements Act
- HF 658 – Transfer of Dairy Survey Officers Act
- HF 683 – Transportation Appropriations Act
- HF 698 – Temporary and Continuing Appropriations Act
- SF 509 – Agriculture and Natural Resources Appropriations Act
- SF 511 – Judicial Branch Appropriations Act
- SF 525 – Mental Health Service System Redesign Act

**Item Veto Summaries.** Following is a summary of the Governor's item vetoes of all other appropriation bills.

**HF 646 – Administration and Regulation Appropriations Act.** The Governor signed HF 646 on July 18, 2011, and item vetoed the following:

- Section 51 (a portion of) that exempted the Commerce Revolving Fund from the Governor implementing an across-the-board reduction should the Fund experience a projected shortfall in revenues to where it is unable to meet projected expenditures. The Governor indicated that while the Revolving Fund should not have financial shortfall issues due to the Commerce Department divisions having the ability to collect fees from the regulated industries, no other State fund or agency has ever been exempt from this Code provision. The Governor stated that by approving an exception now would potentially lead to other entities wanting exceptions to the governor's financial management authority.
- Section 67 (a portion of) that would allow the Utilities Division of the Department of Commerce to use unencumbered or unobligated funds from their FY 2013 appropriation for building-related expenses in FY 2014. The Governor stated that this section is unnecessary as the energy-efficient building project will be completed before the start of FY 2013.
- Sections 75-77 that provide Medicaid Fraud Fund appropriations for FY 2013 totaling an estimated \$1.6 million. The Governor stated that the Medicaid Fraud Fund receives funding from money recovered from Medicaid fraud cases. Based on projected revenues and estimated expenditures for FY 2012, the fund is left with a balance less than \$1,000 for FY 2013, which is insufficient to provide for the appropriations in this Bill and, therefore, this issue must be visited next session in order to determine a sufficient level of funding. The funds item vetoed were appropriated to the Department of Inspections and Appeals and include:
  - \$325,000 for Health Facilities Division inspectors.
  - \$125,000 for dependent adult abuse inspections.
  - \$119,000 for electronic benefits transfer investigations.
  - \$119,000 for boarding home investigations.
  - \$885,000 for Medicaid fraud and abuse investigations.

STAFF CONTACT: David Reynolds (515-281-6934) [david.reynolds@legis.state.ia.us](mailto:david.reynolds@legis.state.ia.us)

**SF 517 – Economic Development Appropriations Act.** The Governor signed SF 517 on July 27, 2011, and item-vetoed the following:

- Sections 15.3(c) and 61.3(c) requiring the Department of Workforce Development (IWD) to maintain the same number of Field Offices for FY 2012 and FY 2013 that were in operation on January 1, 2009. The Governor stated the language would prohibit the IWD from putting forth an enhanced delivery system.

- Sections 15.5 and 61.5 specifying the definitions of “Field Office” and “Workforce Development Center” for FY 2012 and FY 2013. The Governor stated the definitions would prevent growth and progress in serving Iowans.
- Sections 20 and 66 prohibiting IWD from using the National Career Readiness Certificate Program in FY 2012 and FY 2013. The Governor stated he could not agree to deny the IWD the potential use of this Program.
- Section 26 transferring and appropriating \$3.3 million unobligated funds in the Save Our Small Business Fund to the IWD to be used for Field Offices in FY 2012. The Governor stated this one-time funding source does not create a sustainable operating environment and instead moves the funding problem into the future.

STAFF CONTACTS: Ron Robinson (515-281-6256) [ron.robinson@legis.state.ia.us](mailto:ron.robinson@legis.state.ia.us)  
Kenneth Ohms (515-725-2200) [kenneth.ohms@legis.state.ia.us](mailto:kenneth.ohms@legis.state.ia.us)

**HF 645 – Education Appropriations Act:** The Governor signed HF 645 on July 27, 2011, and item vetoed the following:

Sections 90, 91, and 92 that established requirements for local school boards regarding memberships in local, state, regional, or national organizations that relate to the functions of the board or district administrators and to which the board pays monetary fees for products or services or annual dues. The Sections also defined such organizations as taxpayer-funded and established requirements for the organizations, including an annual audit. The Governor indicated the language is overly inclusive and may have unintended consequences, such as encompassing privately owned, for-profit companies that sell goods or services to school districts.

STAFF CONTACTS: Robin Madison (515-281-5270) [robin.madison@legis.state.ia.us](mailto:robin.madison@legis.state.ia.us)  
Dwayne Ferguson (515-281-6561) [dwayne.ferguson@legis.state.ia.us](mailto:dwayne.ferguson@legis.state.ia.us)

**HF 649 – Health and Human Services Appropriations Act:** The Governor signed HF 649 on July 26, 2011, and item vetoed the following:

- Section 2.4(h)(unnumbered paragraph 2) specifying legislative intent for a Board of Direct Care Workers by July 1, 2014. The Governor indicated that the required fees to operate the Board would be burdensome on the workers paying the fees and the Department of Public Health (DPH). The item-veto includes vetoing the same language in Section 114.4(h)(unnumbered paragraph 2) for the same reason.
- Section 3.2(d) requiring a monthly expenditure report to the Legislative Services Agency from the Iowa Veterans Home (IVH). The Governor indicated that information is available on the State's budget system. The item-veto includes vetoing the same language in Section 115.2(d) for the same reason.
- Section 25, unnumbered paragraph 3, permitting funds remaining from the FY 2012 General Fund appropriation to the Department of Human Services (DHS) Field Operations budget unit to carry forward to FY 2013. The Governor indicated that the carryforward does not work with his government budgeting goals. The item-veto includes vetoing similar language in Section 138, unnumbered paragraph 3, permitting carryforward from FY 2013 to FY 2014 for the same reason.
- Section 26.6, permitting funds remaining from the FY 2012 General Fund appropriation to the DHS General Administration budget unit to carry forward to FY 2013. The Governor indicated that the carryforward does not work with his government budgeting goals. The item-veto includes vetoing similar language in Section 139, unnumbered paragraph 3, permitting carryforward from FY 2013 to FY 2014 for the same reason.
- Section 31, requiring the DPH, DHS, IVH, Department of Aging, and the Department of Veterans Affairs to submit reports relating to application or renewals of federal grants. The Governor indicated that the statutorily required semi-annual report of the Grants Enterprise Management System (GEMS) provides similar information.

- Section 37.14, appropriating \$200,000 in FY 2012 from the Health Care Transformation Account (HCTA) to the DHS for development of a provider payment system plan. The Governor indicated that the Iowa Medicaid Enterprise (IME) should have its focus on cost containment strategies rather than new provider payment methodologies. The item veto also includes vetoing Section 109 requiring the DHS to develop the provider payment system plan. The item veto also includes Section 148.14, appropriating \$200,000 in FY 2013 from the HCTA to the DHS for the development of a provider payment system plan for the same reason.
- Section 45, the new Subsection 7 amending the 2010 Iowa Acts, Chapter 1193, that was a similar but duplicated distribution method of mental health funding for counties. The Governor explained that the remaining language permits the additional mental health funding designated for counties with individuals on waiting lists to receive the funding rather than the item-vetoed method of funding to counties that do not have individuals on waiting lists for mental health services.
- Sections 95 through 99 exempting certain prescription medications for mental illness from the Medicaid preferred drug list and effective dates relating to the exemption. The Governor indicated that the past exemption has had minimal impact to patients and providers but cost savings to the Medicaid Program are valuable.
- Sections 105 through 107 including hospitals in the State's indemnification for volunteer services. The Governor indicates that hospitals carry liability insurance for this purpose already and the State does not need to endure additional costs for coverage already accessed by hospitals.

STAFF CONTACTS: Deborah Thompson (515-281-6764) [deborah.thompson@legis.state.ia.us](mailto:deborah.thompson@legis.state.ia.us)  
 Jess Benson (515-281-4611) [jess.benson@legis.state.ia.us](mailto:jess.benson@legis.state.ia.us)

**SF 510 – Justice System Appropriations Act.** The Governor signed SF 510 on July 29, 2011, and item vetoed the following:

- Sections 4 and 33 (portions of) that prohibit the Department of Corrections (DOC) from entering into new contracts in excess of \$100,000 for privatized services during FY 2012 and FY 2013, without prior notification of the Chairpersons and Ranking Members of the Justice System Appropriations Subcommittee, and without any prior consultation with any affected employee organization. The DOC is allowed to renew existing contracts without notification. The Governor stated this language prevents the DOC from obtaining services in an effective and efficient manner, and the notification impedes the DOC's management authority.
- Section 4 (a portion of) that requires the DOC to transfer at least \$300,000 from canteen funds of the Institutions to the Corrections Education program for FY 2012 and FY 2013. The Governor stated dollar balances in the canteen funds are insufficient to meet the \$300,000 transfer requirement, and encouraged the DOC to continue to use available canteen funds for education.
- Section 5 (a portion of) that requires each Community-Based Corrections (CBC) District Department to accept the transfer of offenders into residential facilities between CBC District Departments for FY 2012 and FY 2013. The Governor stated his veto assures each CBC facility will maintain control of the types and numbers of offenders who they serve in their facilities.

STAFF CONTACTS: Beth Lenstra (515-281-6301) [beth.lenstra@legis.state.ia.us](mailto:beth.lenstra@legis.state.ia.us)  
 Jennifer Acton (515-281-7846) [jennifer.acton@legis.state.ia.us](mailto:jennifer.acton@legis.state.ia.us)

**HF 648 – Infrastructure Appropriations Act.** The Governor signed HF 648 on July 27, 2011, and item vetoed the following:

Appropriations:

- Two appropriations from the Rebuild Iowa Infrastructure Fund (RIIF) to the Department of Natural Resources for FY 2012:
  - Asset Manager at Honey Creek Resort - \$75,000. The Governor stated that this was not part of his budget recommendation and he expects the Department of Natural Resources (DNR) to include this cost in the operations budget for State parks. The Governor stated this contract was intended to be for a one-year timeframe. The Governor further stated that if it is necessary to continue contract services, he expects the DNR to include these costs in the operations of the

park and pay for such operations with the revenues generated at the park. The Governor also stated that this item was not included in his budget recommendation.

- Water Trails and Lowhead Dam Safety Program - \$75,000. The Governor stated that this was not part of his budget recommendation and he expects the Department of Natural Resources to provide the necessary administrative support with current resources.
- The FY 2013 increase to \$15.0 million for the Community Attraction and Tourism Grant Program from the RIIF. The appropriation will remain at the current statutory amount of \$5.0 million. The Governor stated that he recommended no appropriation for this Program and that this veto will still result in funding of \$5.0 million as required by statute.

Language:

- Intent language that the General Assembly will appropriate an unspecified amount in both FY 2013 and FY 2014 for Lake Delhi dam repair, once a required engineering study is submitted to the General Assembly. The funding for the study is provided in the Act. The Governor stated that he supports the preconstruction restoration study and has designated the DNR to take the lead in overseeing the study. The Governor also stated that it is premature to assume the State will obligate funds before the study is completed and analyzed by himself and the General Assembly.
- Language restricting the use of major maintenance funds for the Department of Administrative Services. The language would have restricted the Department from using major maintenance funds on the Iowa Building (the former Mercy Capitol Hospital Building) that was purchased by the State in December 2009. The Governor stated that exclusion of a specific building was not appropriate and if continued, could lead to increased costs in the future.
- Language in the public bidding and contracting provisions that defined resident subcontractors in Code and required that to be a resident bidder, one must use, to the greatest extent possible, resident subcontractors on the public improvement project. The Governor stated this could potentially create a preference for resident subcontractors and could harm Iowa contractors by potentially triggering the reciprocal preference laws of other states. The Governor stated that this could impact construction employment opportunities for Iowans as Iowa contractors compete for out-of-state public projects. The Governor also stated that this could impose a costly and burdensome requirement on all Iowa public owners overseeing the construction of public improvements.

STAFF CONTACT: Marcia Tannian (515-281-7942) [marcia.tannian@legis.state.ia.us](mailto:marcia.tannian@legis.state.ia.us)

**HF 45 – FY 2011 Appropriations Adjustment Act.** The Governor signed HF 45 on March 7, 2011, and item vetoed a provision extending the sunset date of the Legislative Health Care Commission from December 31, 2011, to July 1, 2013. The Governor indicated that because HF 45 deappropriates funding for the Commission, there is no reason to extend the sunset date.

STAFF CONTACT: David Reynolds (515-281-6934) [david.reynolds@legis.state.ia.us](mailto:david.reynolds@legis.state.ia.us)

**SF 209 – Tax Changes and Supplemental Appropriations Act.** The Governor signed SF 209 on April 21, 2011, and item vetoed the following:

- Division I that would couple Iowa's tax law with that portion of the federal legislation that allows businesses to take additional depreciation related deductions (referred to as bonus depreciation). This change is estimated to reduce General Fund revenue by a total of \$147.8 million over the three fiscal years of FY 2011 - FY 2013. The Governor stated that Iowa should focus on improving the State's long term competitive tax position for new job creation that is best accomplished by reducing commercial property taxes and the marginal corporate tax rate. The Governor further indicated tax policy contained in SF 209 will not improve the tax climate for new jobs in Iowa, and that he is committed to continuing a tax and jobs policy discussion with the House and Senate to adopt a package of tax reductions that stimulate long-term economic growth and job creation.
- Division II that would increase the Earned Income Tax Credit from the current level of 7.0% of the federal credit to 10.0% of the federal credit. This change is estimated to reduce revenue to the General Fund by \$28.5 million for FY 2011-FY 2013. The Governor stated that he wants to approach tax policy in a more comprehensive manner and work with the House and Senate on an overall tax

reduction package that both fits within sound budgeting principles while reducing taxes that are impeding the State's ability to compete for new business and jobs.

STAFF CONTACT: David Reynolds (515-281-6934) [david.reynolds@legis.state.ia.us](mailto:david.reynolds@legis.state.ia.us)  
Beth Lenstra (515-281-6301) [beth.lenstra@legis.state.ia.us](mailto:beth.lenstra@legis.state.ia.us)

**SF 508 – Federal Block Grant Appropriations Act.** The Governor signed SF 508 on July 18, 2011, and item vetoed Section 36 that required federal fund expenditure report plans from all State departments or agencies receiving federal funds, delineating budgeted and actual administrative expenditures. The Governor indicated that the information is available on the State's budget system and the timing of the information 60 days prior to the start of a federal fiscal year would be earlier than federal funding allocations are known.

STAFF CONTACT: Sue Lerdal (515-281-7794) [sue.lerdal@legis.state.ia.us](mailto:sue.lerdal@legis.state.ia.us)

**SF 533 – Standing Appropriations Act.** The Governor signed SF 533 on July 27, 2011, and item vetoed the following:

- Section 6 and Section 45 that prohibited bonuses in FY 2012 and FY 2013 for State employees other than certain Board of Regent employees. The Governor indicated that it would limit the ability of the Executive Branch to recruit or retaining exceptional employees.
- Section 90 that increased the voting membership of the Iowa Law Enforcement Academy Council by two. The Governor indicated that adding two members would make the Council too cumbersome and impede its effectiveness.
- Section 108 that required departments and agencies to report budgeted and expended employee training costs and costs of contracted services. The Governor indicated that the information is available in the State's budget system.
- Sections 117, 118, and 119 that continued the pilot Therapy Medication Management Program for State employees. The item veto includes the transfer of \$510,000 from the Board of Pharmacy fees to the Department of Administrative Services for the cost of the Program. The Governor indicated the effectiveness of the initial pilot Program in FY 2011 should be determined prior to extension of the Program.
- Sections 120 and 121 that increased the State Earned Income Tax Credit from 7.0% to 10.0% of the federal credit. The Governor indicated that an overall tax reduction package needs to fit within budgeting principles while reducing taxes that impede the ability to compete for new businesses and jobs.

STAFF CONTACTS: Robin Madison (515-281-5270) [robin.madison@legis.state.ia.us](mailto:robin.madison@legis.state.ia.us)  
Sue Lerdal (515-281-7794) [sue.lerdal@legis.state.ia.us](mailto:sue.lerdal@legis.state.ia.us)  
David Reynolds (515-281-6934) [david.reynolds@legis.state.ia.us](mailto:david.reynolds@legis.state.ia.us)

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